

FORM 51-102F3
MATERIAL CHANGE REPORT
UNDER NATIONAL INSTRUMENT 51-102

Item 1 Name and Address of Company

Blue Star Gold Corp. (the “Company”)
Suite 1125, 595 Howe St.
Vancouver, BC V6C 2T5

Item 2 Date of Material Change

July 29, 2019.

Item 3 News Release

The Company disseminated a news release on July 29, 2019 and subsequently filed copies on www.sedar.com.

Item 4 Summary of Material Change

The Company has announced a private placement Offering (as further described below) of convertible debenture units for gross proceeds of up to \$3,000,000.00 including the proposed offer of \$1,400,000.00 or more of the Offering to insiders of the Company, including to a director and major shareholder of the Company, Dr. Georg Pollert. The Company has also announced an agreement with Mandalay (as defined below) to purchase a 100% interest in the Ulu Property (as defined below) in Nunavut, an agreement that is contingent on regulatory approval in Nunavut. The Company has also announced a transaction with Dr. Pollert whereby the Company will pay to Dr. Pollert interest and bonus shares in exchange for a loan or guarantee that the Company requires to complete the purchase of the Ulu Property (as defined below). The Company has also announced the sale of a 20% interest in one of its mining properties to Dr. Pollert, and an option to purchase up to a 20% interest in the Ulu Property (as defined below). For each of the transactions involving insiders of the Company, the Company proposes to rely on the exemptions to minority shareholder approval and formal valuation requirements for related party transactions under sections 5.5(b) and 5.7(e) of Multilateral Instrument 61-101.

Item 5 Full Description of Material Change

5.1 Full Description of Material Change

Proposed Transactions and Related-Party Transactions

The Company has announced a non-brokered private placement offering of units comprising of convertible debentures for gross proceeds of up to \$3,000,000.00 (the “Offering”). Each unit will consist of 20,000 non-secured convertible debentures (the “Debenture”) and 20,000 non-transferable Common Share purchase warrants (the “Warrants”) at an issue price of \$1,000.00 per unit. Each Debenture will bear an annual simple interest rate of 7.5% over the term of three years (the “Term”). During the Term, the principal amount of each Debenture may be converted into Common Shares at a conversion price of \$0.05 per share during the first year of the Term

and \$0.10 during the second and third years of the Term. Each Warrant will entitle the holder to purchase one Common Share at an exercise price of \$0.075 per Common Share during the Term.

The Company has proposed to pay finder's fees in connection with the private placement, subject to TSXV approval and securities laws, in the form of a cash amount equal to five percent (5%) of the gross proceeds raised from subscribers introduced to the Company by the respective finder plus such number of shares of the Company with an aggregate value equal to five percent (5%) of the Canadian dollar value of convertible debentures sold to the applicable subscribers based on a deemed value of \$0.05 per share.

The Company does not expect that the closing of the Offering will result in the creation of any new insiders (>10% holders).

It is proposed that Dr. Georg Pollert, a principal shareholder and director of Blue Star, will subscribe for aggregate gross proceeds of \$1,400,000.00 of the offering or 1400 Units, and would subscribe for additional Units in the event that the Offering is not fully subscribed. As a result, the issuance of Units to Dr. Pollert will be considered to be a related party transaction subject to TSX Venture Exchange Policy 5.9. The Company proposes to rely on exemptions from the formal valuation and minority shareholder approval requirements provided under sections 5.5(b) and 5.7(e) of Multilateral Instrument 61-101. In accordance with section 5.5(b) of Multilateral Instrument 61-101, the Company is not listed on the specific markets described therein. Further, in accordance with section 5.7(e), the Company is experiencing financial hardship, as further described below.

It is also proposed that the spouse of Company director Mr. Klaus Schmid, Mrs. Michaela Brucker-Schmid, will subscribe to \$50,000.00 of the offering.

The Company expects that it will use the net proceeds of the Offering for: (i) fulfilling its obligations under the Ulu Option Agreement (as described below); (ii) advancing the Company's mineral exploration activities on its property and on the Ulu Property (as described below); (iii) general corporate and working capital improvement purposes.

The Company entered into an agreement with Mandalay Resources Corporation ("Mandalay") whereby the Company will acquire a 100% interest in a gold project located in Nunavut (the "Ulu Property") upon certain conditions having been met (the "Ulu Option Agreement"). Under the Ulu Option Agreement, the Company will pay to Mandalay \$650,000.00 in cash on completion of the transaction and the company's previous commitment to issue 15,000,000 Common Shares to Mandalay being removed. Mandalay will transfer to the Company a 100% interest in Ulu Property.

Under the Ulu Option Agreement, the Company is required to post a reclamation bond (the "Reclamation Security") to regulatory agencies in Nunavut. The Company has also formed an agreement in principle for Dr. Pollert to loan funds to the Company, or to provide a guarantee for the loan of such funds from a third party, so that the Company can post the Reclamation Security. It is proposed that the Company will pay to Dr. Pollert simple interest in the amount of 3% per annum, earned in advance, for a period of 12 months.

In further consideration of his advancing funds for the Reclamation Security, the Company has proposed to pay to Dr. Pollert bonus shares, subject to the approval of the TSXV. The exact amount of advanced funds is not yet known but the Company expects that the total advances may be in the order of \$2.1 million and would therefore result in the issuance of an estimated 8.4 million Blue

Star shares based on a per share price of \$0.05. The Company will rely on exemptions from the formal valuation and minority shareholder approval requirements for related party transactions provided under sections 5.5(b) and 5.7(e) of Multilateral Instrument 61-101.

The Company has also announced an agreement in principle (the “Equity Interest Sale”) to exchange a 20% equity interest in its subsidiary, Inukshuk Exploration Inc., and an option to acquire a 20% equity interest in the vehicle through which it will acquire the Ulu Property for the settlement of loans in the amount of \$750,000.00 owing to Dr. Pollert (the “Loans”) and \$250,000.00 in cash. The cash payment will be offset by any accrued interest on the Loans. Dr. Pollert’s option to acquire the 20% interest in the vehicle through with the Company will acquire the Ulu Property will be made contingent on Dr. Pollert’s exercise of all of the warrants acquired under the Offering prior to the Company’s execution of its 2020 drilling plan. The Company will rely on exemptions from the formal valuation and minority shareholder approval requirements for related party transactions provided under sections 5.5(b) and 5.7(e) of Multilateral Instrument 61-101.

Dr. Pollert’s participation in the Offering, the Reclamation Security and the Equity Interest Sale (collectively, the “Related Party Transactions”) are required for the Company to raise funds to continue its existing operations, to continue its exploration plan of existing properties, and to expand its exploration plans on the Ulu Property.

Upon completion of the Related Party Transactions and the conversion of the Debentures and exercise of the Warrants acquired by Dr. Pollert within the first year of the Term, Dr. Pollert’s direct and indirect ownership of shares in the capital of the Company is expected to increase from 23,260,000 or 17.95% to up to 64,400,000 or 33.2%. This pro forma share calculation of Dr. Pollert’s holdings is premised on the minimum subscription commitment of Dr. Pollert to subscribe to \$1,400,000.00 of the Offering, and accordingly a change in the amount of the Offering subscribed to by Dr. Pollert would affect this calculation.

Review and Approval Process

Since the shareholders of the Company elected new independent directors to the Board of Directors at the Company’s last Annual General Meeting of November 1, 2018, the Board and management have been considering means to raise finances to fund the basic operating costs of the Company and to allow the company to execute its exploration program, including: debt financing, going private, asset sales, mergers, rights offerings and maintaining the status quo. After considering these options, the Board and management decided that obtaining financing from European investors who were already shareholders of the company was the only reasonable opportunity for the Company to continue its operations. The Company considers Dr. Pollert’s participation in the Offering necessary to continue its essential operations. It is also necessary to fund the Company’s purchase of the Ulu Property. The Company considers Dr. Pollert’s participation in funding the Reclamation Security and participation in the Equity Interest Sales necessary to fulfill its obligations under the Ulu Option Agreement. If the Related Party transactions are not completed, then the Company is expected to have challenges continuing as a going concern.

The subscription price of the Offering (being the equivalent of \$0.05 per share in the first year of the Term, and \$0.10 in the Second and Third years of the Term) was determined by the Board and management to be in the best interests of the Company. The terms of the Equity Interest Sale and Dr. Pollert’s participation in financing the Reclamation Security were also determined by the

Board and management to be in the best interests of the Company. In making these conclusions, the Board and management considered: (i) the expected marketability of the Offering and the equity interests offered in the Equity Interest Sale; (ii) the prevailing market conditions for raising capital for junior mining companies listed on the TSX-V; (iii) the prevailing market price of Common Shares of the Company at the time the Board and management determined the price of the Offering. The Company had been negotiating the price of the Offering throughout the beginning of 2019, where the share price of the Company's Common Shares was, on average, \$0.03.

On August 6, 2019, a meeting of the board of directors took place where the three independent directors of the Company voted to approve the Related Party Transactions and resolved that the Company is in serious financial difficulty, the Related Party Transactions were necessary to improve the financial position of the Company and the terms of the Related Party Transactions are reasonable in the circumstances of the Company. In regard to proceeding with the Related Party Transactions, no independent director of the Company had a materially contrary view or any material disagreement regarding the decision to proceed with any of the Related Party Transactions. If the Related Party Transactions were the subjects of a shareholder vote, then all of the Company's independent Directors would unanimously recommend that the shareholders vote to approve all of the Related Party Transactions.

At the meeting, the independent directors of the Company also voted to approve the subscriptions to the Offering of Mrs. Brucker-Schmid.

All of the Company's independent directors are independent from Dr. Pollert, Mr. Schmid, and Mrs. Brucker-Schmid, will not be parties to any of the Related Party Transactions, and will not receive a collateral benefit or any payment or bonus compensation as a result of the completion of any of the Related Party Transactions.

This report is being filed less than 21 days before the expected date of closing of the Related Party Transactions (which are expected to close on or after September 1, 2019).

5.2 Disclosure for Restructuring Transactions

Not applicable.

Item 6 Reliance on subsection 7.1(2) of National Instrument 51-102

Not applicable.

Item 7 Omitted Information

Not applicable.

Item 8 Executive Officer

Stephen Wilkinson
President and CEO
778-379-1733

Item 9 Date of Report

August 7, 2019